

## Message Text

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67

ACTION EUR-25

INFO OCT-01 IO-12 AF-10 ADP-00 STR-08 AID-20 CEA-02

CIAE-00 COME-00 EB-11 EA-11 FRB-02 INR-10 NEA-10

NSAE-00 RSC-01 OPIC-12 TRSE-00 CIEP-02 LAB-06 SIL-01

OMB-01 SS-15 NSC-10 L-03 H-02 TAR-02 AGR-20 ARA-11

RSR-01 /209 W

----- 066916

R 132011 Z APR 73

FM AMEMBASSY BRUSSELS

TO SECSTATE WASHDC 7211

INFO AMEMBASSY BONN

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

USMISSION EC BRUSSELS UNN

USMISSION GENEVA

USMISSION OECD PARIS UNN

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E. O.11652: N/ A

TAGS: EAID, ETRD, EEC, US

SUBJECT: PREFERENTIAL ARRANGEMENTS

REF: EC BRUSSELS 1993 EC BRUSSELS 2031

1. SUMMARY: WE HAVE EXPLAINED UNDER SECRETARY CASEY'S  
COMPROMISE PROPOSAL ON REVERSE PREFERENCES TO SEVERAL SENIOR-  
LEVEL  
FONMIN OFFICIALS. THEY APPRECIATED FACT THAT MOST RECENT COMMISSION  
PROPOSALS WOULD BE UNSATISFACTORY TO U. S., BUT WHILE RECOGNIZING  
THE PROBLEM, REFLECTED NO WILLINGNESS TO CONSIDER UNDER  
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SECRETARY'S PROPOSALS AS AN ALTERNATIVE. OUR COUNTER-PARTS SOUGHT RATHER TO JUSTIFY THE COMMISSION'S APPROACH AND TO STRESS ALLEGED UNIMPORTANCE OF THIS ISSUE FOR THE U. S. END SUMMARY.

2. WE HAVE HAD EXTENSIVE DISCUSSION RECENTLY WITH SENIOR OFFICIALS OF THE FOREIGN MINISTRY TO BE SURE THAT THEY WOULD GIVE FURTHER CONSIDERATION TO UNDER SECRETARY CASEY'S COMPROMISE PROPOSAL

FOR DEALING WITH PREFERENTIAL ARRANGEMENTS. IN DISCUSSIONS WITH COLLINS, DIRECTOR OF THE EUROPEAN SECTION ( IN CHARGE OF EC MATTERS), WE WENT TO SOME LENGTH TO EXPLAIN THE PROPOSAL, SINCE HE KNEW NOTHING OF THE DETAILS. THYSBAERT, COUNSELOR OF THE FOREIGN MINISTER'S CABINET, ON THE OTHER HAND WAS CONVERSANT WITH OUR PROPOSAL, AS WAS, OF COURSE, DE DOBBELEER, DIRGEN FOR FOREIGN

TRADE, WHO HAD BEEN PRESENT AT CASEY- DAVIGNON MEETING.

3. COLLINS EXPLAINED TO US THAT THERE WAS A DIVISION OF OPINION IN THE BELGIAN GOVERNMENT BETWEEN " GLOBALISTS" AND " REGIONALISTS" ON THE MATTER OF PREFERENCES. HE TOLD US THAT ALTHOUGH HE WOULD NOT SAY SO IN THE PRESENCE OF POLITICAL DIRECTOR DAVIGNON, HE THOUGHT THE " GLOBAL" MEDITERRANEAN POLICY WAS DEAD. THIS ISSUE AROSE WHEN THE FRENCH SUGGESTED RENEGOTIATION OF THE SPANISH AGREEMENT FOLLOWING ENLARGEMENT: THEN BEING TURNED DOWN ON THIS PROPOSAL, THE FRENCH CAME UP WITH A PROPOSAL OF RENEGOTIATION WITH ISREAL: AND FINALLY WHEN THE ISRAELI PROPOSAL WAS TURNED DOWN, THEY PROPOSED A REVIEW OF THE " GLOBAL" MEDITERRANEAN POLICY WHICH THE OTHER MEMBERS DID NOT REJECT. COLLINS WAS NOW OF THE OPINION THAT THERE WOULD HAVE TO BE SEPARATE NEGOTIATIONS WITH INDICIDUAL COUNTRIES IN THE MEDITERRANEAN POLICY. WE TOLD COLLINS THAT THERE SEEMED TO BE UNDERSTANDING FOR UNDER SECRETARY CASEY'S PROPOSAL IN ALL THE MEMBER COUNTRIES EXCEPT FRANCE AND BELGIUM. WE URGED THAT GOB GIVE THE CASEY PROPOSAL SERIOUS CONSIDERATION IN THE HOPE THAT IT MIGHT OFFER A SOLUTION.

4. DE DOBBELEER HAS TOLD US THERE IS VERY LITTLE HE CAN SAY ON THE MATTER, SINCE HE IS PERSONALLY ONE OF THE " GLOBALISTS" WHO WAS OVERRULED. AGAIN SPEAKING PERSONALLY, HE DID NOT SEE ANYTHING VERY NEW IN THE COMMISSION'S PROPOSALS PURPORTING TO " DROP" REVERSE PREFERENCES AND WORK TOWARD AN FTA.

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5. IN OUR CONVERSATION WITH THYSBAERT, WE WERE TOLD THAT THERE WAS A LONG WAY TO GO, BUT HE THOUGHT SOMETHING COULD BE WORKED OUT. HE WAS NOT SURPRISED THAT LATEST COMMISSION PROPOSALS WERE UNATTRACTIVE TO U. S. HE EXPLAINED THAT REVERSE PREFERENCES WERE ORIGINALLY ADOPTED IN THE COMMUNITIES' RELATIONS WITH AFRICA IN ORDER TO GIVE THE OTHER EC MEMBERS EQUAL TREATMENT WITH THE FRENCH IN THE FORMER FRENCH COLONIES. ANOTHER OBJECTIVE WAS TO SHORE UP THE FRENCH MONETARY UNION WITH MANY OF THESE COUNTRIES. THYSBAERT THOUGHT THESE LINKS WERE WEAKENING, AND THE ONLY SOLUTION MIGHT BE REPLACEMENT BY A MONETARY LINK TO THE EC ITSELF. HE CITED THE KENYAN EXAMPLE AS OFFERING A POSSIBILITY FOR THE SOLUTION OF OUR PROBLEMS. EXCEPT FOR A FEW ITEMS, HE SAID THAT TARIFF DUTIES HAD BEEN REPLACED BY NON-DISCRIMINATORY FISCAL LEVIES. THE REMAINING TARIFF PREFERENCES MIGHT NOW ALSO BE REPLACED BY FISCAL DUTIES, AND THUS

THERE COULD BE A FREE TRADE AREA WITHOUT PREFERENCES FOR THE COMMUNITY. HE ALSO THOUGHT THAT OTHER COUNTRIES SUCH AS THE IVORY COAST, IN THEIR OWN INTEREST WOULD FIND SOME WAY TO REACH AN ACCOMMODATION WITH THE UNITED STATES. IN OTHER LESS ENDOWED COUNTRIES WHERE THERE WERE NO EXPORTS OF INDUSTRIAL GOODS, THE BENEFITS OF GENERALIZED PREFERENCES MIGHT BE ALMOST NIL, IN ANY EVENT, FINALLY, HE COMMENTED THAT THE REAL RESULT OF MFN IN THESE COUNTRIES COULD BE TO FAVOR THE JAPANESE WITHOUT BENEFITTING THE U. S. IN ANY WAY.

6. OUR IMPRESSION FROM CONVERSATIONS IS THAT BELIAN OFFICIALS HAVE NOT GIVEN SUFFICIENT CONSIDERATION TO UNDER SECRETARY CASEY'S COMPROMISE PROPOSALS. THEY ARE, HOWEVER, INCREASINGLY AWARE OF THE PROBLEM OF CONFLICTING VIEWS UNDERLYING THE EC AND U. S. POSITIONS. THEY ALSO RECOGNIZE MORE AND MORE THE COMPLICATIONS OF WORKING OUT PREFERENTIAL ARRANGEMENTS FOR A LARGE NUMBER OF POTENTIAL ASSOCIATES. THEY ARE, THEREFORE, ROUBLED BY THE PROVISION OF OUR PROPOSED LEGISLATION EXCLUDING COUNTRIES GRANTING PREFERENCES FROM GENERAL PREFERENCE SCHEME. WE HAVE CITED THE DISADVANTAGES INVOLVED ON OUR NEGOTIATING WITH ASSOCIATED COUNTRIES TREATMENT IDENTICAL TO THAT ACCORDED THE EC, POINTING OUT THAT CONCESSIONS WE SOUGHT MIGHT BE DIFFERENT FROM THOSE OBTAINED BY THE EC. WE ALSO CITED THE DANGER OF HAVING OTHER DEVELOPING COUNTRIES SEEKING SPECIAL AGREEMENTS, ALL OF WHICH COULD RESULT IN A GEOMETRICALLY RISING NUMBER OF

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MENTS, ALL OF WHICH COULD RESULT IN A GEOMETRICALLY RISING NUMBER OF

AGREEMENTS. THYSBAERT, ON THE OTHERHAND, DID NOT THINK  
THERE WAS MUCH LIKELIHOOD THAT THIS WOULD HAPPEN. STRAUS- HUPE

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\*\*\* Current Classification \*\*\* LIMITED OFFICIAL USE

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